

**LAKETOWN TOWNSHIP
ALLEGAN COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED MARCH 31, 2008**

**KIEKOVER, SCHOLMA & SHUMAKER, PC
Certified Public Accountants
Zeeland, Michigan**

**Laketown Township, Michigan
ANNUAL FINANCIAL REPORT
Year Ended March 31, 2008**

TABLE OF CONTENTS

	Page
Independent Auditor's Report.....	I
Management's Discussion and Analysis	II
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Governmental Fund Financial Statements	
Balance Sheet	4
Statement of Revenue, Expenditures and Changes in Fund Balances.....	5
Reconciliation of the Statement of Revenue, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	6
Proprietary Fund Financial Statements	
Statement of Net Assets	7
Statement of Revenue, Expenses and Changes in Net Assets	8
Statement of Cash Flows.....	9
Statement of Fiduciary Assets and Liabilities.....	10
Notes to Financial Statements	11
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	24
Other Supplemental Data	
Combining Balance Sheet – Nonmajor Governmental Funds	26
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	27
Discretely Presented Component Unit – Downtown Development Authority	
Balance Sheet	28
Statement of Revenues, Expenditures and changes in Fund Balance	29



INDEPENDENT AUDITOR'S REPORT

September 5, 2008

Township Board
Laketown Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Laketown Township, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Laketown Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Laketown Township, Michigan, as of March 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laketown Township, Michigan's basic financial statements. The other supplemental data, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kiekover, Scholma & Shumaker, PC
Certified Public Accountants

Management's Discussion and Analysis

As management of Laketown Township, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008. We encourage readers to consider the information presented here in conjunction with the Township's financial statements that follow this section.

Financial Highlights

- The assets of Laketown Township exceeded its liabilities at the close of the most recent fiscal year by \$5,871,974 (*net assets*). Of this amount, \$530,128 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$527,180. This is reflected in a net increase in capital assets, net of related debt of \$237,272, an increase in restricted net assets of \$249,622, and an increase in unrestricted net assets of \$40,286.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$750,464, an increase of \$157,826 in comparison with the prior year. Approximately 68.6% of this total amount, \$514,828 is *available for spending* at the Township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$335,613 or 22% of total general fund expenditures and transfers out.
- The Township's total debt increased by \$332,548 (18.9%) during the current fiscal year. This is the result of the Township making its required scheduled debt service payments of \$235,555, issuing new debt of \$25,175 for the purchase of a police vehicle, an increase in debt of \$525,000 from bond issuance activities, a net decrease in deferred bond issuance costs of \$5,534, and a net increase in accrued compensated absences of \$2,394.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected state shared revenues, franchise fees, and accrued interest payable).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the Township include operations of the Felt Mansion.

The government-wide financial statements include not only the Township itself (known as the *primary government*), but also its component unit. The Downtown Development Authority, an entity legally separate from the Township, is governed by a committee appointed by the Township Board. The Authority is fiscally dependent on the Township because tax rates for the Downtown Development Authority district and bonded debt must be approved by the Township Board.

The government-wide financial statements can be found on pages 1-3 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains eight (8) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Graafschap Fire Station Debt Service Fund, Goshorn Sewer Debt Service Fund, and Castle Park Water Construction Fund which are considered to be major funds. The Township has four (4) nonmajor funds. These include two special revenue funds, one debt service fund, and one capital project fund. Data from the other four governmental funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided herein to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4-6 of this report.

Proprietary funds. The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses an enterprise fund to account for operations of the Felt Mansion.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail and information, such as cash flows. The proprietary fund financial statements provide separate information for the Felt Mansion Fund, which is considered to be a major fund of the Township.

The basic proprietary fund financial statements can be found on pages 7-9 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds. The Township accounts for one type of fiduciary fund – one agency fund used to account for current tax collections.

The basic fiduciary fund financial statement can be found on page 10 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-23 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting the budgetary comparison for the Township's General Fund, found on pages 24-25 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Statements for the discretely presented component unit are also presented immediately following the required supplementary information. These combining statements can be found on pages 26-29 of this report.

Government-wide Financial Analysis

Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Laketown Township, assets exceeded liabilities by \$5,871,974 at the close of the most recent fiscal year.

By far the largest portion of the Township's net assets (65%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, shared road improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (26%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$530,128) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following table shows, in a condensed format, the net assets of Laketown Township as of March 31, 2008 and 2007.

TABLE 1 - Laketown Township's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 2,128,168	\$ 1,835,724	\$ 19,161	\$ 6,282	\$ 2,147,329	\$ 1,842,006
Capital assets	4,690,265	4,607,918	1,171,517	677,765	5,861,782	5,285,683
Total assets	6,818,433	6,443,642	1,190,678	684,047	8,009,111	7,127,689
Long-term debt outstanding	1,505,103	1,707,555	525,000	-	2,030,103	1,707,555
Other liabilities	88,301	72,675	18,733	2,665	107,034	75,340
Total liabilities	1,593,404	1,780,230	543,733	2,665	2,137,137	1,782,895
Net assets:						
Invested in capital assets, net of related debt	3,185,162	2,916,642	646,517	677,765	3,831,679	3,594,407
Restricted	1,510,167	1,260,545	-	-	1,510,167	1,260,545
Unrestricted	529,700	486,225	428	3,617	530,128	489,842
Total net assets	\$ 5,225,029	\$ 4,663,412	\$ 646,945	\$ 681,382	\$ 5,871,974	\$ 5,344,794

Change in Net Assets – As shown in Table 2 (changes in net assets) the Township's total revenues were \$2,121,463 for the current year, of which 38.9% was obtained from property taxes. Charges for services accounted for another 18.2% of the total, capital grants and contributions 19.4%, and State shared revenues 18.2%. The balance of the Township's revenues was primarily derived from operating grants and contributions, interest earnings, and other sources. The total cost of all programs and services for the year ended March 31, 2008 was \$1,594,283. Township expenses cover a wide range of services. For the current fiscal year, about 37% of the Township's expenses related to general government services, 31.4% related to public safety, 11% related to public works, 1.9% related to community and economic development, 4.6% related to recreation and culture, 4.9% was interest on long-term debt, and 9.2% related to Felt Mansion operations.

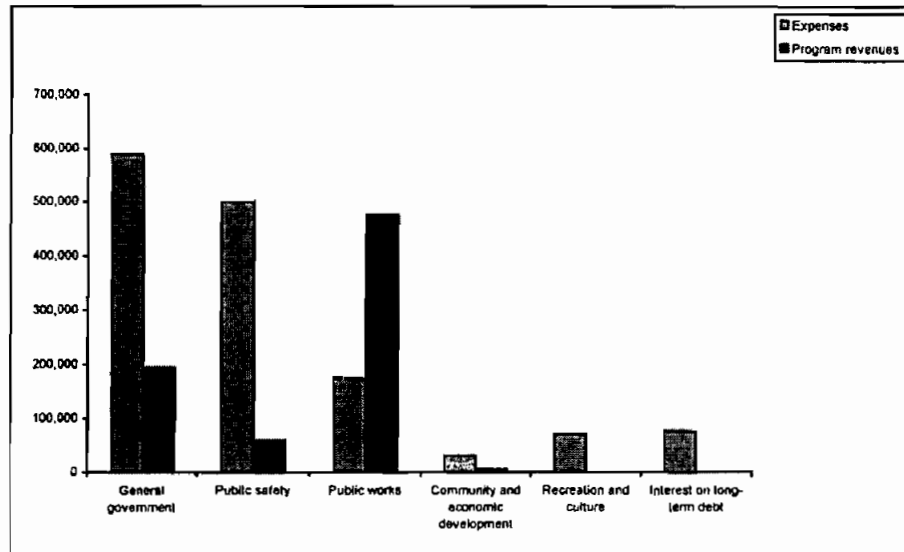
Net assets increased by \$561,617 for the Township's governmental activities. Net assets for business-type activities decreased by \$34,437 during the year.

The following analysis highlights the changes in net assets for the years ended March 31, 2008 and 2007.

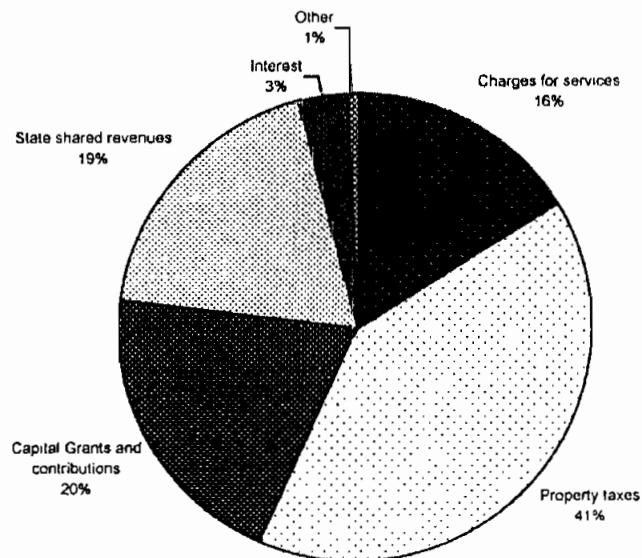
TABLE 2 - Laketown Township's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program revenues						
Charges for services	\$ 325,663	\$ 256,300	\$ 59,695	\$ 53,680	\$ 385,358	\$ 309,980
Operating grants and contributions	-	-	7,683	14,290	7,683	14,290
Capital grants and contributions	411,700	650,347	-	-	411,700	650,347
General revenues						
Property taxes	825,790	791,641	-	-	825,790	791,641
State shared revenues	386,132	385,411	-	-	386,132	385,411
Gain (loss) on sale of capital assets	-	(2,070)	-	-	-	(2,070)
Interest	67,490	115,102	14,265	248	81,755	115,350
Other	16,708	19,538	6,337	-	23,045	19,538
Total revenues	2,033,483	2,216,269	87,980	68,218	2,121,463	2,284,487
Program expenses						
General government	589,502	601,220	-	-	589,502	601,220
Public safety	500,911	487,795	-	-	500,911	487,795
Public works	175,661	137,684	-	-	175,661	137,684
Community and economic development	30,389	10,704	-	-	30,389	10,704
Recreation and culture	73,417	75,649	-	-	73,417	75,649
Interest on long-term debt	78,086	85,343	-	-	78,086	85,343
Felt Mansion	-	-	146,317	86,239	146,317	86,239
Total expenses	1,447,966	1,398,395	146,317	86,239	1,594,283	1,484,634
Change before transfers	585,517	817,874	(58,337)	(18,021)	527,180	799,853
Transfers in (out)	(23,900)	(23,900)	23,900	23,900	-	-
Change in Net Assets	\$ 561,617	\$ 793,974	\$ (34,437)	\$ 5,879	\$ 527,180	\$ 799,853

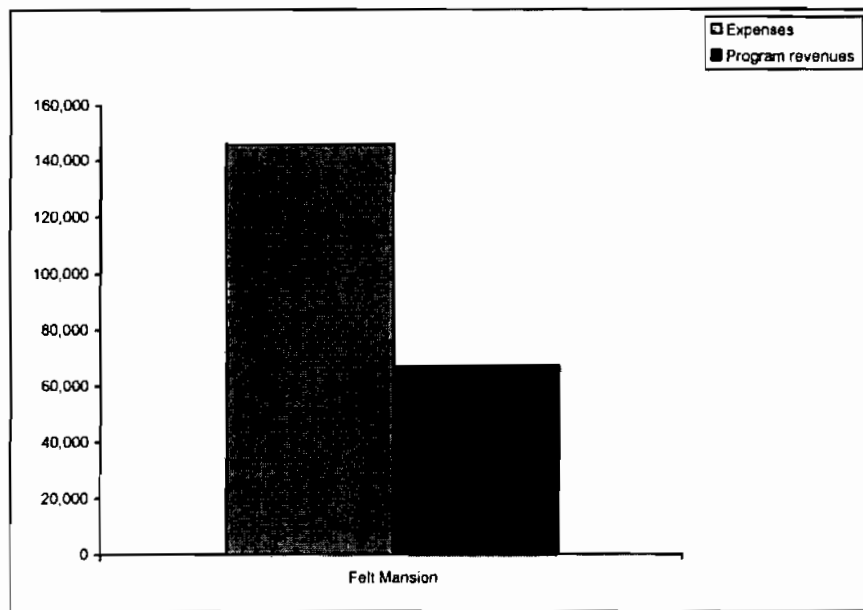
Expenses and Program Revenues – Governmental Activities



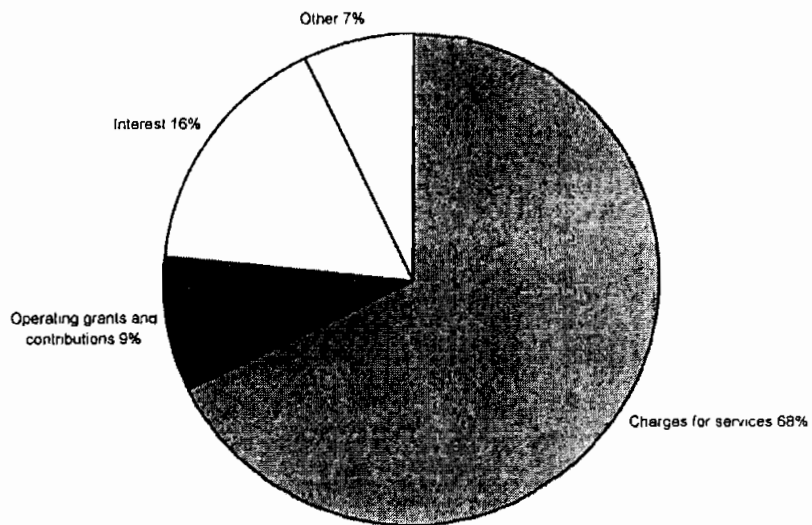
Revenues by Source – Governmental Activities



Expenses and Program Revenues-Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Township's Funds

Governmental Funds - Our analysis of the Township's major funds begins on page 4, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, grants, contributions or capital projects. The Township's major funds for fiscal year 2008 consist of the General Fund, Graafschap Fire Station Debt Fund, Goshorn Sewer Debt Fund, and the Castle Park Water Construction Fund.

The General Fund is the main operating fund of the Township. Total General Fund revenues and other financing sources for fiscal year 2008 increased by \$87,188 or 5.9%, to \$1,567,153. Property tax revenues increased by \$85,403 or 9.9% (\$21,464 of prior year DNR-PILT (payment in-lieu of taxes) is included as revenue during fiscal year 2008 as the amounts were delinquent at March 31, 2007 and were received by the Township within 60 days of March 31, 2007). State shared revenues decreased by \$3,698 or 1.0%. All other General Fund revenue and other financing sources increased by \$5,483.

General Fund expenditures and other financing uses increased in fiscal 2008 by \$22,568 or 1.5%, to \$1,524,870. General government expenditures increased by \$22,390, primarily due to increased expenditures for public safety and for community and economic development. Public safety expenditures increased by \$29,926 due to increased expenditures for police services. Public works expenditures increased by \$7,919 primarily due to an increase in expenditures for sidewalks. Community and Economic Development expenditures increased by \$19,685 due to an increase in expenditures for the planning commission. Another notable change from the prior year includes a decrease in recreation and culture expenditures of \$15,441 (all of which is for parks commission).

The March 31, 2008 fund balance of the general fund is \$340,012 of which \$4,399 (1.3%) is reserved for construction code activities, and \$335,613 (98.7%) is unreserved. This is an increase of \$42,283 from the prior year. The \$335,613 unreserved fund balance is approximately 22% of fiscal 2008 expenditures and operating transfers to other funds which amounted to \$1,524,870.

The Graafschap Fire Station Debt Service Fund is used to account for repayments on 2007 refunding bonds used to refund a \$950,000 bond issue that was sold by Laketown Township Building Authority to finance the building of the Graafschap Fire Station. Total Graafschap Fire Station Debt Service Fund revenues, consisting mainly of payments from the Graafschap Fire Department, increased by \$3,311, or 5.4%, to \$64,769. There were also \$16,557 of transfers in from the General Fund during the year compared to \$16,379 in the prior year. Graafschap Fire Station Debt Service Fund expenditures for the fiscal year were \$79,693 (all of which were for debt service), a decrease of \$29,453, or 27.0%, compared to the prior year. The March 31, 2008 fund balance of the Graafschap Fire Station Debt Service Fund is \$2,166, an increase of \$1,633 from the prior year.

Goshorn Sewer Debt Service Fund - This fund is used to account for the collection of special assessments relating to the Goshorn Sewer Construction project, and the payment of bond principal and interest on the \$700,000 of Capital Improvement Bonds, Series 2005, sold on April 19, 2005 to finance the Goshorn Sewer Construction project. Goshorn Sewer Debt Service Fund revenues consisted of \$20,480 in interest earnings, compared to \$34,684 in the prior year, and \$75,752 of special assessments, compared to \$114,860 in the prior year. Total expenditures of the fund were \$53,037 (which were all for debt service).

Castle Park Water Construction Fund – This fund is used to account for the collection of special assessments relating to the Castle Park Water Construction project, and for construction of the project. Castle Park Water Construction Fund revenues consisted of \$117,916 of special assessments, compared to \$0 in the prior year. Total expenditures of the fund were \$18,388, compared to \$0 in the prior year.

Proprietary Funds – Laketown Township's proprietary fund provides the same type of information found in the government-wide financial statements (business-type activities) but in more detail. The Township's proprietary fund is the Felt Mansion Fund.

Operating revenues for the Felt Mansion Fund increased in fiscal year 2008 by \$10,579 from \$53,680 to \$64,259, primarily due to increased revenues from events at the Mansion. Net non-operating revenues and expenses decreased in fiscal year 2008 by \$7,757, from \$14,538 to \$6,781, primarily due to an increased in interest income, a decrease in contributions, and an increase in interest expense. Operating expenses increased in fiscal year 2008 by \$43,138, from \$86,239 to \$129,377 primarily due to increase activity within the fund (remodel of Felt Mansion).

Total net assets of the Felt Mansion fund at March 31, 2008 were \$646,945, a decrease of \$34,437 from the prior year. Unrestricted net assets of the Felt Mansion Fund were \$428 at March 31, 2008, a decrease of \$3,189 from the prior year.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. Township operational departments generally stayed within budgeted amounts, resulting in total expenditures \$44,884 below the final budget. The General Fund's fund balance increased by \$42,283 compared to a budgeted decrease of \$27,998.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2008, amounted to \$5,861,782 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, systems, machinery and equipment, park facilities, roads and sidewalks, and certain flowage rights (drains). The total change in the Township's investment in capital assets for the current fiscal year was an increase of \$82,347 (1.8%) for governmental activities and an increase of \$493,752 (72.8%) for business-type activities.

Major capital asset events during the current fiscal year included the following:

- \$102,588 expended for road paving
- \$514,101 expended for Felt Mansion renovations
- \$31,552 expended for police vehicle and related equipment

Additional information on the Township's capital assets can be found in note 3C on pages 18-19 of this report.

Laketown Township's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,727,077	\$ 2,727,077	\$ 499,929	\$ 469,423	\$ 3,227,006	\$ 3,196,500
Construction in progress	58,345	-	-	-	58,345	-
Buildings and improvements	404,788	423,516	504,628	196,443	909,416	619,959
Land improvements	166,319	197,159	166,960	11,899	333,279	209,058
Machinery, equipment, vehicles	74,511	46,534	-	-	74,511	46,534
Shared Road Improvements	538,322	473,101	-	-	538,322	473,101
Infrastructure	720,903	740,531	-	-	720,903	740,531
Total	\$ 4,690,265	\$ 4,607,918	\$ 1,171,517	\$ 677,765	\$ 5,861,782	\$ 5,285,683

Long-term debt. At the end of the current fiscal year, the Township had total installment debt outstanding of \$1,536,348.

Laketown Township's Outstanding Debt
General Obligation and Revenue Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Graafschap Fire Station bonds	\$ 685,000	\$ 745,000	\$ -	\$ -	\$ 685,000	\$ 745,000
Goshorn Sewer Construction bonds	650,000	675,000	-	-	650,000	675,000
Notes and land contracts payable	143,728	211,487	-	-	143,728	211,487
County Drain Assessments	57,620	115,241	-	-	57,620	115,241
Compensated absences	18,673	16,279	-	-	18,673	16,279
Felt Mansion bonds	-	-	525,000	-	525,000	-
Total	\$ 1,555,021	\$ 1,763,007	\$ 525,000	\$ -	\$ 2,080,021	\$ 1,763,007

The Township's total debt increased by \$322,548 (18.9%) during the current fiscal year. This is the result of the Township making its required scheduled debt service payments of \$235,555, issuing new debt of \$25,175 for the purchase of a police vehicle, an increase in debt of \$525,000 from bond issuance activities, a net decrease in deferred bond issuance costs of \$5,534, and a net increase in accrued compensated absences of \$2,394.

Additional information on the Township's long-term debt can be found in Note 3E on pages 20-21 of this report.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for fiscal year ended March 31, 2009 calls for no change in the overall property tax rate of 2.5761 mills. This can be accomplished through conservative fiscal management.

The Township continues to be challenged by a reduction in State Shared Revenues. An increasing tax base has allowed the Township to avoid the need to raise tax rates in past years. However, the Township believes that because of recent trends in stagnant tax base and decreasing taxable values for certain properties, the Township may need to increase tax rates in future years.

Requests for Information

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions regarding this report or need additional information, we welcome you to contact the Township Manager's office.

Basic Financial Statements

Laketown Township, Michigan
STATEMENT OF NET ASSETS
March 31, 2008

	Governmental Activities	Business Type Activities	Total	Component Unit
ASSETS				
Cash and investments	\$ 660,184	\$ 19,161	\$ 679,345	\$ 334
Receivables:				
Taxes	21,464	-	21,464	-
Accounts	9,200	-	9,200	-
Special assessments	1,274,531	-	1,274,531	-
Due from other governments	162,789	-	162,789	-
Capital assets	<u>4,690,265</u>	<u>1,171,517</u>	<u>5,861,782</u>	<u>-</u>
Total Assets	<u>6,818,433</u>	<u>1,190,678</u>	<u>8,009,111</u>	<u>334</u>
LIABILITIES				
Accounts payable	19,480	7,681	27,161	-
Accrued payroll	24,400	1,239	25,639	-
Due to other governments	20,038	-	20,038	-
Accrued interest payable	24,383	9,813	34,196	-
Noncurrent liabilities:				
Due within one year	219,848	10,000	229,848	-
Due in more than one year	1,335,173	515,000	1,850,173	-
Deferred issuance costs	<u>(49,918)</u>	<u>-</u>	<u>(49,918)</u>	<u>-</u>
Total Liabilities	<u>1,593,404</u>	<u>543,733</u>	<u>2,137,137</u>	<u>-</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,185,162	646,517	3,831,679	-
Restricted for:				
Water and sewer	391,205	-	391,205	-
Debt service	1,114,563	-	1,114,563	-
Construction code activities	4,399	-	4,399	-
Unrestricted	<u>529,700</u>	<u>428</u>	<u>530,128</u>	<u>334</u>
Total Net assets	<u>\$ 5,225,029</u>	<u>\$ 646,945</u>	<u>\$ 5,871,974</u>	<u>\$ 334</u>

Laketown Township, Michigan
STATEMENT OF ACTIVITIES
Year Ended March 31, 2008

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Function/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 589,502	\$ 195,488	\$ -	\$ -
Public safety	500,911	60,162	-	-
Public works	175,661	65,063	-	411,700
Community and economic development	30,389	4,950	-	-
Recreation and culture	73,417	-	-	-
Interest on long-term debt	78,086	-	-	-
Total Governmental Activities	1,447,966	325,663	-	411,700
Business-type activities:				
Felt Mansion	146,317	59,695	7,683	-
Total Primary Government	\$ 1,594,283	\$ 385,358	\$ 7,683	\$ 411,700

General revenues:

Property taxes
State shared revenues
Interest
Other

Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total	Component Unit
\$ (394,014)	\$ -	\$ (394,014)	\$ -
(440,749)	-	(440,749)	-
301,102	-	301,102	-
(25,439)	-	(25,439)	(3,716)
(73,417)	-	(73,417)	-
(78,086)	-	(78,086)	-
(710,603)	-	(710,603)	(3,716)
-	(78,939)	(78,939)	-
(710,603)	(78,939)	(789,542)	(3,716)
825,790	-	825,790	-
386,132	-	386,132	-
67,490	14,265	81,755	-
16,708	6,337	23,045	4,050
(23,900)	23,900	-	-
1,272,220	44,502	1,316,722	4,050
561,617	(34,437)	527,180	334
4,663,412	681,382	5,344,794	-
<u>\$ 5,225,029</u>	<u>\$ 646,945</u>	<u>\$ 5,871,974</u>	<u>\$ 334</u>

See notes to financial statements

Laketown Township, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2008

	General Fund	Graafschap Fire Station Debt	Goshorn Sewer Debt Service	Castle Park Water Construction	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 256,815	\$ 2,166	\$ 134,301	\$ 85,802	\$ 181,100	\$ 660,184
Receivables:						
Taxes	21,464	-	-	-	-	21,464
Graafschap Fire Department	-	540,789	-	-	-	540,789
Special assessments	-	-	409,945	293,784	30,013	733,742
Due from other governments	123,281	-	6,412	-	3,041	132,734
Total Assets	<u>\$ 401,560</u>	<u>\$ 542,955</u>	<u>\$ 550,658</u>	<u>\$ 379,586</u>	<u>\$ 214,154</u>	<u>\$ 2,088,913</u>
LIABILITIES						
Accounts payable	\$ 17,110	\$ -	\$ -	\$ 368	\$ 2,002	\$ 19,480
Accrued payroll	24,400	-	-	-	-	24,400
Due to other governments	20,038	-	-	-	-	20,038
Deferred revenue	-	540,789	409,945	293,784	30,013	1,274,531
Total Liabilities	<u>61,548</u>	<u>540,789</u>	<u>409,945</u>	<u>294,152</u>	<u>32,015</u>	<u>1,338,449</u>
FUND BALANCES						
Reserved:						
Debt service	-	-	138,847	-	6,956	145,803
Castle Park Water Construction	-	-	-	85,434	-	85,434
Construction code activities	4,399	-	-	-	-	4,399
Unreserved-reported in:						
General Fund	335,613	-	-	-	-	335,613
Special Revenue Funds	-	-	-	-	175,183	175,183
Debt Service Funds	-	2,166	1,866	-	-	4,032
Total Fund Balances	<u>340,012</u>	<u>2,166</u>	<u>140,713</u>	<u>85,434</u>	<u>182,139</u>	<u>750,464</u>
Total Liabilities and Fund Balances	<u>\$ 401,560</u>	<u>\$ 542,955</u>	<u>\$ 550,658</u>	<u>\$ 379,586</u>	<u>\$ 214,154</u>	

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

General capital assets	3,969,362
Infrastructure assets	720,903

State shared revenues (sales taxes) collected and held by the State at year end are not considered available to pay for current year expenditures and are therefore not reported in the funds	30,055
---	--------

Cable franchise fees receivable are not considered available to pay for current year expenditures and are therefore not reported in the funds	9,200
---	-------

Special assessments receivable are expected to be collected over several years and are not available to pay for current year expenditures and are therefore deferred in the funds	1,274,531
---	-----------

Compensated absences payable are not due and payable in the current period, and are therefore not reported in the funds	(18,673)
---	----------

Interest accrued on bonds and notes payable is not reported in the funds	(24,383)
--	----------

Long term liabilities are not due and payable in the current period and are therefore not reported in the funds	(1,536,348)
---	-------------

Unamortized deferred bond issuance costs are not reported in the funds	49,918
--	--------

Net Assets of Governmental Activities	<u>\$ 5,225,029</u>
--	----------------------------

Laketown Township, Michigan
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended March 31, 2008

	General Fund	Graafschap Fire Station Debt Service	Goshorn Sewer Debt Service	Castle Park Water Construction	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 946,662	\$ -	\$ -	\$ -	\$ -	\$ 946,662
Licenses and permits	60,162	-	-	-	-	60,162
State shared revenues	380,235	-	-	-	-	380,235
Charges for services	97,312	-	-	-	65,063	162,375
Fines and forfeitures	1,442	-	-	-	-	1,442
Interest and rent	24,714	15,172	20,480	-	7,124	67,490
Other	24,650	49,597	75,752	117,916	25,882	293,797
Total Revenues	<u>1,535,177</u>	<u>64,769</u>	<u>96,232</u>	<u>117,916</u>	<u>98,069</u>	<u>1,912,163</u>
Expenditures:						
Current:						
General government	532,529	-	-	-	-	532,529
Public safety	504,179	-	-	-	-	504,179
Public works	327,569	-	-	18,388	41,523	387,480
Community and economic development	30,389	-	-	-	-	30,389
Recreation and culture	44,360	-	-	-	-	44,360
Insurance, bonds, and fringes	45,387	-	-	-	-	45,387
Debt service:						
Principal	-	60,000	25,000	-	49,421	134,421
Interest	-	19,693	28,037	-	3,962	51,692
Total Expenditures	<u>1,484,413</u>	<u>79,693</u>	<u>53,037</u>	<u>18,388</u>	<u>94,906</u>	<u>1,730,437</u>
Excess of Revenues Over (Under) Expenditures	<u>50,764</u>	<u>(14,924)</u>	<u>43,195</u>	<u>99,528</u>	<u>3,163</u>	<u>181,726</u>
Other Financing Sources (Uses):						
Transfers in	31,976	16,557	-	-	44,511	93,044
Transfers out	(40,457)	-	-	(14,100)	(62,387)	(116,944)
Total Other Financing Sources (Uses)	<u>(8,481)</u>	<u>16,557</u>	<u>-</u>	<u>(14,100)</u>	<u>(17,876)</u>	<u>(23,900)</u>
Net Change in Fund Balances	<u>42,283</u>	<u>1,633</u>	<u>43,195</u>	<u>85,428</u>	<u>(14,713)</u>	<u>157,826</u>
Fund Balances - April 1	<u>297,729</u>	<u>533</u>	<u>97,518</u>	<u>6</u>	<u>196,852</u>	<u>592,638</u>
Fund Balances - March 31	<u>\$ 340,012</u>	<u>\$ 2,166</u>	<u>\$ 140,713</u>	<u>\$ 85,434</u>	<u>\$ 182,139</u>	<u>\$ 750,464</u>

Laketown Township, Michigan
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended March 31, 2008

Net change in fund balances-Total Governmental Funds	\$ 157,826
Amounts reported for the governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Current year capital outlays capitalized - general capital assets	205,061
Current year depreciation expense on capitalized assets	(122,714)
Timing of revenue recognition differs in the statement of activities versus the funds financial statements for certain revenues that do not provide current financial resources	
State shared revenues	219
Cable franchise fees	200
Collectible delinquent taxes	(21,652)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not recorded in the funds until collected or collectible within 60 days of year end	149,254
Repayments of bond and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	235,555
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets	(25,175)
Governmental funds report the effect of debt issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities	(5,534)
In the statement of activities, interest is accrued on outstanding bonds and notes payable, whereas in governmental funds, an interest expenditure is reported when due	(9,029)
Compensated absences payable do not require the use of current financial resources and are therefore not reported as expenditures in governmental funds	(2,394)
Change in net assets of governmental activities	<u>\$ 561,617</u>

Laketown Township, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
March 31, 2008

	<u>Enterprise Fund</u> <u>Felt</u> <u>Mansion</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 19,161
Noncurrent Assets:	
Capital assets	<u>1,171,517</u>
Total Assets	<u>1,190,678</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	7,681
Accrued payroll	1,239
Accrued interest payable	9,813
Current portion of long-term debt	<u>10,000</u>
Total Current Liabilities	28,733
Noncurrent Liabilities:	
Long-term debt, net of current portion	<u>515,000</u>
Total Liabilities	<u>543,733</u>
NET ASSETS	
Invested in capital assets, net of related debt	646,517
Unrestricted	<u>428</u>
Total Net Assets	<u>\$ 646,945</u>

Laketown Township, Michigan
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended March 31, 2008

	<u>Enterprise Fund</u> <u>Felt</u> <u>Mansion</u>
Operating Revenues:	
Charges for Services:	
Felt Mansion rentals, tours, and events	\$ <u>64,259</u>
Operating Expenses:	
Operation and maintenance	78,108
General and administrative	30,921
Depreciation	<u>20,348</u>
Total Operating Expenses	<u>129,377</u>
Operating Income (Loss)	<u>(65,118)</u>
Nonoperating Revenues (Expenses)	
Contributions	7,683
Interest income	14,265
Interest expense	(16,940)
Other	<u>1,773</u>
Total Nonoperating Revenues (Expenses)	<u>6,781</u>
Income (Loss) Before Contributions and Transfers	(58,337)
Transfers in	<u>23,900</u>
Change in Net Assets	(34,437)
Net Assets - April 1	<u>681,382</u>
Net Assets - March 31	<u>\$ <u>646,945</u></u>

Laketown Township, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended March 31, 2008

	<u>Enterprise Fund</u> Felt Mansion
Cash Flows From (For) Operating Activities:	
Receipts from customers	\$ 64,259
Payments to suppliers	(72,770)
Payments to employees	(30,004)
Net Cash Provided (Used) By Operating Activities	<u>(38,515)</u>
Cash Flows From Noncapital Financing Activities:	
Contributions	7,683
Other miscellaneous revenue	1,773
Transfers from (to) other funds	23,900
Net Cash Provided By Noncapital Financing Activities	<u>33,356</u>
Cash Flows From (For) Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(514,100)
Issuance of debt	525,000
Interest paid on capital debt	(7,127)
Net Cash Provided By Capital and Related Financing Activities	<u>3,773</u>
Cash Flows From Investing Activities:	
Interest received on investments	<u>14,265</u>
Net Increase in Cash and Investments	12,879
Cash and Investments - April 1	<u>6,282</u>
Cash and Investments - March 31	<u>\$ 19,161</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:	
Operating income (loss)	\$ (65,118)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	20,348
Change in assets and liabilities:	
Accounts payable	5,338
Accrued and other liabilities	917
Net Cash Provided (Used) By Operating Activities	<u>\$ (38,515)</u>

See Notes to Financial Statements

Laketown Township, Michigan
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
March 31, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and investments	<u>\$ 13,149</u>
LIABILITIES	
Due to other governments	<u>\$ 13,149</u>

Laketown Township, Michigan
NOTES TO FINANCIAL STATEMENTS
Year Ended March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Laketown Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Laketown Township:

A. Reporting Entity

Laketown Township is governed by an elected five-member board of trustees. The accompanying financial statements present the township and its component units, entities for which the township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Unit. The Laketown Township Building Authority has a five-member board appointed by the Township Board. The Building Authority issued limited tax general obligation bonds to finance the demolition of the former Michigan Dunes Correction Facility and site improvements to the remaining buildings and grounds. These bonds have been fully retired. The Township has entered into a long-term lease with the authority for use of the facilities.

The Building Authority has also issued bonds to finance the construction of a new fire station for Graafschap Fire Department. The Township is obligated to repay these bonds, with approximately 79% of the debt service requirements being reimbursed to the Township from Graafschap Fire Department.

Discretely Presented Component Unit. The Laketown Downtown Development Authority (DDA) was created to encourage the appropriate development of the district along the Blue Star Highway. The DDA is a committee created to monitor growth and oversee that the township is growing in accordance with the image it would like to portray. The DDA is not yet receiving captured tax increment revenues, as the tax base for DDA tax capturing has not yet been determined.

Separate financial statements for the Downtown Development Authority are not prepared. The Authority's financial activity is as reflected in these accompanying financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable (Laketown Township has no such component units).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Other revenue is recorded when received.

The township reports the following major governmental funds:

General Fund - The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Graafschap Fire Station Debt Service Fund - This fund is used to account for repayments on 2007 refunding bonds used to refund a \$950,000 bond issue that was sold by Laketown Township Building Authority to finance the building of the Graafschap Fire Station.

Goshorn Sewer Debt Service Fund - This fund is used to account for the collection of special assessments relating to the Goshorn Sewer Construction project, and the payment of bond principal and interest on the \$700,000 of Capital Improvement Bonds, Series 2005, sold on April 19, 2005 to finance the Goshorn Sewer Construction project.

Castle Park Water Construction Fund - This fund is used to account for the collection of special assessments relating to the Castle Park Water Construction project, and for the construction of the project.

The township reports the following major proprietary fund:

Felt Mansion Fund - This fund is used to account for operations and renovations of the Felt Mansion.

Additionally, the township reports the following fund types:

Governmental Funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Debt Service Funds - Debt Service Funds account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Funds - Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds - Agency Funds account for assets held by the township in a purely custodial capacity. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of the inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for rents, tours, and events. Operating expenses for the proprietary fund include costs of operations, maintenance, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. *Bank Deposits and Investments.*

The township pools cash resources of its various funds to facilitate the management of cash. The balances in the pooled cash accounts are available to meet current operating requirements.

The township's investment policies are governed by state statutes, formal board policy, and administrative procedures. Permissible investments include obligations of the U.S. Treasury and its agencies, Michigan financial institution certificates of deposits and accounts, commercial paper with prescribed ratings, U.S. government repurchase agreements, and mutual funds and investment pools consisting of any of the above. Attorney General's Opinion No. 6168 states that public funds may not be deposited in institutions located in states other than Michigan. The township's deposits are in accordance with statutory authority.

Investments are recorded at fair value. Earnings in the pooled cash accounts are allocated to each fund based upon respective balances of cash and investments.

2. Receivables and Payables.

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

3. Inventories and Prepaid Items.

Inventories do not consist of material amounts. Inventories of governmental funds are recorded as expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. General infrastructure assets acquired prior to April 1, 2004, are not reported in the basic financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$0 of interest expense was capitalized as part of the cost of assets under construction.

Included in capital assets are the township's investment in roads and drains within the township that are recorded as intangible assets (shared road improvements and flowage rights). Although paid for by the township, Michigan law makes these assets property of the County (along with the responsibility to maintain them).

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	15
Machinery and equipment	5-15
Office furniture and equipment	5-20
Vehicles	3-25
Roads and sidewalks	15-25
Water and sewer systems	10-50

5. Compensated Absences.

It is the township's policy to permit certain employees to accumulate earned but unused vacation pay benefits. If material, vacation pay is accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations at year end.

6. Long-Term Obligations.

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

7. Fund Equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Property Taxes

Property taxes are levied on each December 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge through February 14. The township continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the county for collection. Taxes returned to the county treasurer are subject to penalty and interest. The county's policy has been to pay the township for all delinquent real property taxes returned. The township continues to collect delinquent personal property taxes.

The township's 2007 ad valorem tax was levied and collectible on December 1, 2007, and recognized as revenue during the year ended March 31, 2008, when proceeds of this levy were budgeted and made available for the financing of operations.

The 2007 taxable equivalency valuation of the township totaled \$312,293,611, on which ad valorem taxes levied consisted of .5761 mills for township operating purposes and 2.0000 mills for fire protection, roads, and drains. This resulted in \$189,505 for operating purposes and \$657,937 for fire protection, roads, and drains.

The above amounts are recognized in the General Fund as tax revenue.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principle generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

Before March 31, the proposed budget is presented to the Township Board for review. The Board holds public hearings and a final budget must be prepared and adopted no later than March 31. Appropriated budgets are amended from time to time throughout the course of the year by supplementary resolutions approved by the Board of Trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered spent once the goods are delivered or the services rendered.

The appropriated budget is prepared by fund, function, and activity. The legal level of budgetary control adopted by the governing body is the activity level. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations as compared to budget for the General Fund is included in the required supplemental information.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of township funds. The investment policy adopted by the township in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

The township's deposits and investment policy are in accordance with statutory authority.

At year-end, the township's deposits and investments were reported in the basic financial statements in the following categories.

The breakdown between deposits and investments is as follows:

	Governmental Activities	Business-Type Activities	Fiduciary Activities	Total	Component Unit
Cash and investments	\$ 660,184	\$ 19,161	\$ 13,149	\$ 692,494	\$ 334

At year-end, all of the township's deposits and investments consisted of bank deposits (checking and savings accounts, certificates of deposit).

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the township's deposits may not be returned. The township does not have a deposit policy for custodial credit risk. At year end the bank balance of the township's deposits was \$733,942 of which \$200,000 was covered by federal depository insurance and \$533,942 was exposed to custodial credit risk because it was uninsured and uncollateralized. The township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the township evaluates each financial institution with which it deposits township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

Interest rate risk. Except as limited by state law as listed in the above list of authorized investments, the township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The township has no investment policy that limits its investment choices beyond those required by state law. At year-end, the township had no investments.

B. Receivables

Receivables as of year-end for the township's individual major funds, and non-major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Graafschap Fire Station Debt	Goshorn Sewer Debt Service	Castle Park Water Construction	Nonmajor Funds	Total
Receivables:						
Taxes	\$ 21,464	\$ -	\$ -	\$ -	\$ -	\$ 21,464
Graafschap Fire Department	-	540,789	-	-	-	540,789
Special assessments	-	-	409,945	293,784	30,013	733,742
Intergovernmental	123,281	-	6,412	-	3,041	132,734
Gross receivables	144,745	540,789	416,357	293,784	33,054	1,428,729
Allowance for uncollectibles	-	-	-	-	-	-
Net Total Receivables	<u>\$ 144,745</u>	<u>\$ 540,789</u>	<u>\$ 416,357</u>	<u>\$ 293,784</u>	<u>\$ 33,054</u>	<u>\$1,428,729</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Graafschap Fire Department	\$ 540,789	\$ -
Special assessments	733,742	-
	<u>\$ 1,274,531</u>	<u>\$ -</u>

C. Capital Assets

Capital asset activity of the township for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 2,727,077	\$ -	\$ -	\$ -	\$ 2,727,077
Construction in progress	-	58,345	-	-	58,345
Subtotal	2,727,077	58,345	-	-	2,785,422
Capital Assets Being Depreciated					
Building and improvements	614,728	-	-	-	614,728
Land improvements	475,448	-	-	-	475,448
Machinery and equipment	14,517	-	-	-	14,517
Office furniture and equipment	120,103	12,576	-	-	132,679
Vehicles	76,565	31,552	-	-	108,117
Shared Road Improvements	526,305	102,588	-	-	628,893
Infrastructure	758,611	-	-	-	758,611
Subtotal	2,586,277	146,716	-	-	2,732,993
Less Accumulated Depreciation for					
Buildings and improvements	(191,212)	(18,728)	-	-	(209,940)
Land improvements	(278,289)	(30,840)	-	-	(309,129)
Machinery and equipment	(14,517)	-	-	-	(14,517)
Office furniture and equipment	(99,876)	(7,252)	-	-	(107,128)
Vehicles	(50,258)	(8,899)	-	-	(59,157)
Shared Road Improvements	(53,204)	(37,367)	-	-	(90,571)
Infrastructure	(18,080)	(19,628)	-	-	(37,708)
Subtotal	(705,436)	(122,714)	-	-	(828,150)
Net Capital Assets Being Depreciated	1,880,841	24,002	-	-	1,904,843
Governmental Activities Total					
Capital Assets - Net of Depreciation	\$ 4,607,918	\$ 82,347	\$ -	\$ -	\$ 4,690,265

Depreciation expense was charged to programs of the township as follows:

Governmental Activities	
General government	\$ 21,768
Public safety	14,736
Public works	57,153
Recreation and culture	29,057
Total Governmental Activities	\$ 122,714

Business-Type Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated					
Land	\$ 469,423	\$ 30,506	\$ -	\$ -	\$ 499,929
Capital Assets Being Depreciated					
Buildings and improvements	212,311	322,869	-	-	535,180
Land improvements	12,930	160,725	-	-	173,655
Subtotal	225,241	483,594	-	-	708,835
Less Accumulated Depreciation for					
Buildings and improvements	(15,867)	(14,685)	-	-	(30,552)
Land improvements	(1,032)	(5,663)	-	-	(6,695)
Subtotal	(16,899)	(20,348)	-	-	(37,247)
Net Capital Assets Being Depreciated	208,342	463,246	-	-	671,588
Business Type Activities Total					
Capital Assets - Net of Depreciation	\$ 677,765	\$ 493,752	\$ -	\$ -	\$ 1,171,517

Depreciation expense was charged to programs of the business-type activities as follows:

Business-Type Activities

Felt Mansion \$ 20,348

Construction Commitments-The township had no significant construction projects or commitments as of March 31, 2008.

D. Interfund Receivables, Payables and Transfers

At March 31, 2008, there were no interfund balances. Interfund transfers reported in the funds statements were as follows:

	Transfers Out					Totals
	General Fund	Water Connection	Sewer Connection	Goshorn Sewer Construction	Castle Park Water Construction	
Transfers In:						
General Fund	\$ -	\$ 15,988 ⁽¹⁾	\$ 15,988 ⁽¹⁾	\$ -	\$ -	\$ 31,976
Graafschap Fire Station Debt	16,557 ⁽²⁾	-	-	-	-	16,557
Sewer Connection	-	-	-	11,411 ⁽³⁾	14,100 ⁽³⁾	25,511
Goshorn Water Debt Service	-	19,000 ⁽⁴⁾	-	-	-	19,000
Felt Mansion	23,900 ⁽⁵⁾	-	-	-	-	23,900
	<u>\$ 40,457</u>	<u>\$ 34,988</u>	<u>\$ 15,988</u>	<u>\$ 11,411</u>	<u>\$ 14,100</u>	<u>\$ 116,944</u>

The following describes the nature of significant transfers:

- (1) Transfers to General Fund for annual administrative charges
- (2) Transfer from General Fund for debt service
- (3) Transfer to Sewer Connection Fund for operating purposes
- (4) Transfer from Sewer Connection Fund for debt service
- (5) Transfer from General Fund for annual operating purposes

E. Long-Term Debt

The township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity for the township can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds						
1999 Building Authority, interest rate of 5.25%, maturing 2008	\$ 950,000	\$ 40,000	\$ -	\$ (40,000)	\$ -	\$ -
2005 Capital Improvement, interest rates from 3.45% to 4.6%, maturing 2026	700,000	675,000	-	(25,000)	650,000	25,000
2007 Refunding, interest rates from 3.75% to 4.1%, maturing 2017	705,000	705,000	-	(20,000)	685,000	55,000
Notes payable						
Monroe Bank and Trust (Goshorn Water), interest rate of 4.75%, maturing 2009	494,211	80,229	-	(49,421)	30,808	30,808
Monroe Bank and Trust (Bike Path), interest rate of 5.25%, maturing 2010	250,000	107,144	-	(35,714)	71,430	35,715
2006 Dodge Charger interest rate of 9.563%, maturing 2010	24,114	24,114	-	(7,799)	16,315	7,770
2008 Ford Expedition interest rate of 6.733%, maturing 2010	25,175	-	25,175	-	25,175	7,935
County Drain Assessments						
Virginia Park Intercounty Drainage District, interest rate of 4.23%, maturing 2009	103,387	29,538	-	(14,769)	14,769	14,769
Kelly Lake Intercounty Drainage District, interest rate of 4.27%, maturing 2009	163,301	46,657	-	(23,329)	23,328	23,328
Kuipers Drain Drainage District, interest rate of 3.49%, maturing 2009	97,615	39,046	-	(19,523)	19,523	19,523
Total Governmental Activities		<u>\$ 1,746,728</u>	<u>\$ 25,175</u>	<u>\$ (235,555)</u>	<u>\$ 1,536,348</u>	<u>\$ 219,848</u>
Business-Type Activities						
Building Authority Bonds						
2007 Building Authority, interest rate from 3.75% to 4.80%, maturing 2027	\$ 525,000	\$ -	\$ 525,000	\$ -	\$ 525,000	\$ 10,000

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended March 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 219,848	\$ 67,036	\$ 10,000	\$ 23,363
2010	137,599	53,744	20,000	22,790
2011	98,901	47,130	20,000	22,005
2012	90,000	43,105	20,000	21,200
2013	90,000	39,650	20,000	20,385
2014-2018	540,000	137,569	120,000	87,502
2019-2023	205,000	59,371	140,000	58,660
2024-2028	155,000	10,913	175,000	21,873
	1,536,348	458,518	525,000	277,778
Accrued compensated absences	18,673	-	-	-
Total	<u>\$ 1,555,021</u>	<u>\$ 458,518</u>	<u>\$ 525,000</u>	<u>\$ 277,778</u>

Prior Years' Debt Defeasance – In the prior year, the township defeased a bond issued by creating a separate irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase state and local government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the township's Statement of Net Assets. As of March 31, 2008, the amount of defeased debt outstanding but removed from the Statement of Net Assets amounted to \$660,000. These bonds are scheduled to be called on May 1, 2019.

F. Restricted Assets

The township had no restricted assets at March 31, 2008.

NOTE 4. JOINT VENTURE

Certain entities which are not part of a township's reporting entity but were, in part, created by the township for special purposes, are accounted for as joint ventures. The following is a joint venture in which the township participates:

The township is a member of the Graafschap Fire Department (the Department), a joint venture of the township and Fillmore Township, to provide fire protection within the participating townships. The township does not have an explicit, measurable equity interest in the Department. Costs of operations and capital expenditures are supported by contributions from the participating townships. Contributions from the participating townships are based on the prior year's fire protection runs and tax base in each township. The Department is managed by a board that consists of two members from each of the participating townships. For the year ended March 31, 2008, costs were allocated 76.14% to Laketown Township and 23.86% to Fillmore Township. During the year ended March 31, 2008, the township contributed \$305,391 to the Department. As of March 31, 2008, the department has net assets of \$709,058 and long-term debt of \$864,292. The Department's (General Fund) fund balance increased by \$8,215 from \$40,714 to \$48,929, for the year ended March 31, 2008. The Department's net assets increased by \$19,997, from \$689,061 to \$709,058, for the year ended March 31, 2008. Separate financial statements of the joint venture may be obtained from either of the participating townships.

NOTE 5. OTHER INFORMATION

A. Risk Management

The township is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions and natural disasters for which the township carries full multi-peril insurance coverage underwritten by the Michigan Municipal League. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

B. Pension Plan

The township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all township employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Trusts have been created for the plan assets, thereby insulating the assets from the unit of government's general creditors. The township has no fiduciary or administrative responsibility for the plan, therefore the plan assets are not reflected as an agency fund in the accompanying financial statements. The township also contributes a percentage of each employee's salary to the plan. For the year ended March 31, 2008, the township's contribution amounted to \$32,945.

C. Related Party Transactions

During the year ended March 31, 2000, Laketown Township built a fire station to be used by Graafschap Fire Department (a related party). To finance part of the construction, Laketown Township sold bonds with a face value of \$950,000 (Note 3E). An agreement between Fillmore Township and Laketown Township was made, that Graafschap Fire Department would pay \$750,000 of the \$950,000, plus interest, over the next twenty years to purchase the building from Laketown Township. During the year ended March 31, 2007, Laketown Township issued refunding bonds to refund \$660,000 of the 1999 bonds mentioned previously, as described in Note 3E. This refunding increased the principal amount of total bonds outstanding, relating to the fire station debt, by \$45,000 (reduced the total aggregate debt service payments by \$54,624). Accordingly, the agreement between Laketown Township and the Graafschap Fire Department was amended so that Graafschap Fire Department will pay \$588,158 of the remaining \$745,000 of outstanding principal (75/95), plus interest, over the next 11 years to complete the purchase of the building from Laketown Township. The remaining amount to retire the bonds will come from general operations of Laketown Township. As of March 31, 2008, special assessments receivable from Graafschap Fire Department for the retirement of principal and interest on the bonds totaled \$540,789.

D. Inspections

The township accounts for the activity of its inspection department within its general fund. Following is a summary of building inspection activity for the year ended March 31, 2008:

Fund balance April 1, 2007	\$ 22,109
Charges for services	55,362
Building inspection expenditures	<u>(73,072)</u>
Fund balance March 31, 2008	<u>\$ 4,399</u>

Required Supplementary Information

Laketown Township, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ 919,000	\$ 919,000	\$ 946,662	\$ 27,662
Licenses and permits	61,600	61,600	60,162	(1,438)
State shared revenues	384,000	380,400	380,235	(165)
Charges for services	75,280	96,180	97,312	1,132
Fines and forfeitures	3,000	1,500	1,442	(58)
Interest	25,000	25,000	24,714	(286)
Other	38,100	26,100	24,650	(1,450)
Total Revenues	<u>1,505,980</u>	<u>1,509,780</u>	<u>1,535,177</u>	<u>25,397</u>
Expenditures:				
Current:				
General Government:				
Township board	66,040	66,765	61,852	4,913
Supervisor	22,015	22,015	19,521	2,494
Township manager	99,200	102,500	103,154	(654)
Audit	14,175	14,500	14,490	10
Clerk	38,600	38,225	33,183	5,042
Board of review	650	1,000	1,605	(605)
General office	159,531	161,381	160,231	1,150
Treasurer	28,315	28,415	27,466	949
Assessor	74,040	74,040	72,737	1,303
Elections	20,350	9,350	8,285	1,065
Building and grounds	32,500	34,100	26,087	8,013
Cemetery	2,000	4,000	3,918	82
Total General Government	<u>557,416</u>	<u>556,291</u>	<u>532,529</u>	<u>23,762</u>
Public Safety:				
Police services	177,050	176,850	174,173	2,677
Fire protection	305,391	305,391	305,391	-
Inspections	30,500	28,000	24,615	3,385
Total Public Safety	<u>512,941</u>	<u>510,241</u>	<u>504,179</u>	<u>6,062</u>
Public Works:				
Drains	70,350	72,700	72,679	21
Highways, streets, and bridges	70,000	106,250	106,219	31
Sidewalks	45,600	124,440	108,368	16,072
Street lights	12,500	12,500	12,196	304
Solid waste/recycling	4,000	26,300	28,107	(1,807)
Total Public Works	<u>202,450</u>	<u>342,190</u>	<u>327,569</u>	<u>14,621</u>

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Community and Economic Development				
Planning commission	3,500	21,500	25,390	(3,890)
Downtown Development Authority	-	3,550	4,050	(500)
Zoning board of appeals	2,000	1,500	949	551
Total Community and Economic Development	<u>5,500</u>	<u>26,550</u>	<u>30,389</u>	<u>(3,839)</u>
Recreation and Culture:				
Parks commission	<u>123,375</u>	<u>48,375</u>	<u>44,360</u>	<u>4,015</u>
Insurance, Bonds, and Fringes:				
Employee insurances	22,650	24,550	24,366	184
Liability insurance	<u>24,000</u>	<u>21,100</u>	<u>21,021</u>	<u>79</u>
Total Insurance, Bonds, and Fringes	<u>46,650</u>	<u>45,650</u>	<u>45,387</u>	<u>263</u>
Total Expenditures	<u>1,448,332</u>	<u>1,529,297</u>	<u>1,484,413</u>	<u>44,884</u>
Excess Of Revenues Over (Under) Expenditures	<u>57,648</u>	<u>(19,517)</u>	<u>50,764</u>	<u>70,281</u>
Other Financing Sources (Uses):				
Transfers in	31,976	31,976	31,976	-
Transfers out	<u>(40,457)</u>	<u>(40,457)</u>	<u>(40,457)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(8,481)</u>	<u>(8,481)</u>	<u>(8,481)</u>	<u>-</u>
Net Change in Fund Balances	49,167	(27,998)	42,283	70,281
Fund Balances - April 1	<u>297,729</u>	<u>297,729</u>	<u>297,729</u>	<u>-</u>
Fund Balances - March 31	<u>\$ 346,896</u>	<u>\$ 269,731</u>	<u>\$ 340,012</u>	<u>\$ 70,281</u>

Supplemental Data

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Sewer Connection – This fund was established to account for revenue from sewer connections that are specifically used for the maintenance, replacement and debt retirement of the township's sewer system.

Water Connection – This fund was established to account for revenue from water connections that are specifically used for the maintenance, replacement and debt retirement of the township's water system.

Debt Service Funds

Debt service funds account for resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds.

Goshorn Water Debt Service – This fund was established to account for the current payment of principal and interest on the Goshorn Water Note Payable, which was used to finance the building of a new water main in the Goshorn Lake area.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Goshorn Sewer Construction Fund – This fund is used to account for the purchase and/or construction of the township's share of an extension of sanitary sewer, as well as a buy-in of a wastewater treatment plant and two pump stations to serve the township (referred to as the Goshorn Sewer Construction project). This project was financed with \$700,000 of Capital Improvement Bonds, Series 2005, sold on April 19, 2005.

Laketown Township, Michigan
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
March 31, 2008

	Nonmajor Special Revenue			Nonmajor Debt Service	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
	Sewer Connection	Water Connection	Total	Goshorn Water Debt Service	Goshorn Sewer Construction	
ASSETS						
Cash and investments	\$ 109,716	\$ 67,262	\$ 176,978	\$ 4,122	\$ -	\$ 181,100
Receivables:						
Special assessments	4,437	7,550	11,987	18,026	-	30,013
Due from other governments	<u>113</u>	<u>94</u>	<u>207</u>	<u>2,834</u>	<u>-</u>	<u>3,041</u>
TOTAL ASSETS	<u>\$ 114,266</u>	<u>\$ 74,906</u>	<u>\$ 189,172</u>	<u>\$ 24,982</u>	<u>\$ -</u>	<u>\$ 214,154</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 400	\$ 1,602	\$ 2,002	\$ -	\$ -	\$ 2,002
Deferred revenue	<u>4,437</u>	<u>7,550</u>	<u>11,987</u>	<u>18,026</u>	<u>-</u>	<u>30,013</u>
Total Liabilities	<u>4,837</u>	<u>9,152</u>	<u>13,989</u>	<u>18,026</u>	<u>-</u>	<u>32,015</u>
Fund Balances:						
Reserved	-	-	-	6,956	-	6,956
Unreserved	<u>109,429</u>	<u>65,754</u>	<u>175,183</u>	<u>-</u>	<u>-</u>	<u>175,183</u>
Total Fund Balances	<u>109,429</u>	<u>65,754</u>	<u>175,183</u>	<u>6,956</u>	<u>-</u>	<u>182,139</u>
Total Liabilities and Fund Balances	<u>\$ 114,266</u>	<u>\$ 74,906</u>	<u>\$ 189,172</u>	<u>\$ 24,982</u>	<u>\$ -</u>	<u>\$ 214,154</u>

Laketown Township, Michigan
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended March 31, 2008

	Nonmajor Special Revenue			Nonmajor Debt Service	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
	Sewer Connection	Water Connection	Total	Goshorn Water Debt Service	Goshorn Sewer Construction	
Revenues:						
Charges for services	\$ 21,598	\$ 43,465	\$ 65,063	\$ -	\$ -	\$ 65,063
Interest and rent	2,378	3,012	5,390	1,734	-	7,124
Other	1,717	2,067	3,784	22,098	-	25,882
Total Revenues	<u>25,693</u>	<u>48,544</u>	<u>74,237</u>	<u>23,832</u>	<u>-</u>	<u>98,069</u>
Expenditures:						
Current:						
Public works	7,980	33,543	41,523	-	-	41,523
Debt service						
Principal	-	-	-	49,421	-	49,421
Interest	-	-	-	3,962	-	3,962
Total Expenditures	<u>7,980</u>	<u>33,543</u>	<u>41,523</u>	<u>53,383</u>	<u>-</u>	<u>94,906</u>
Excess of Revenues						
Over (Under) Expenditures	<u>17,713</u>	<u>15,001</u>	<u>32,714</u>	<u>(29,551)</u>	<u>-</u>	<u>3,163</u>
Other Financing Sources (Uses):						
Transfers in	25,511	-	25,511	19,000	-	44,511
Transfers out	<u>(15,988)</u>	<u>(34,988)</u>	<u>(50,976)</u>	<u>-</u>	<u>(11,411)</u>	<u>(62,387)</u>
Total Other Financing Souces (Uses)	<u>9,523</u>	<u>(34,988)</u>	<u>(25,465)</u>	<u>19,000</u>	<u>(11,411)</u>	<u>(17,876)</u>
Net Change in Fund Balances	<u>27,236</u>	<u>(19,987)</u>	<u>7,249</u>	<u>(10,551)</u>	<u>(11,411)</u>	<u>(14,713)</u>
Fund Balances - April 1	<u>82,193</u>	<u>85,741</u>	<u>167,934</u>	<u>17,507</u>	<u>11,411</u>	<u>196,852</u>
Fund Balances - March 31	<u>\$ 109,429</u>	<u>\$ 65,754</u>	<u>\$ 175,183</u>	<u>\$ 6,956</u>	<u>\$ -</u>	<u>\$ 182,139</u>

Supplemental Data

Discretely Presented Component Unit

General Fund

The General Fund is the Downtown Development Authority's primary operating fund (and only fund). It accounts for all financial resources of the Authority.

Laketown Township
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET
March 31, 2008

ASSETS

Cash and investments	<u>\$ 334</u>
----------------------	---------------

LIABILITIES AND FUND BALANCES

Fund Balances:

Unreserved	<u>\$ 334</u>
------------	---------------

Laketown Township
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended March 31, 2008

Revenues:	
Local unit contributions	\$ 4,050
Expenditures:	
Community and economic development	<u>3,716</u>
Net Change in Fund Balances	334
Fund Balance, April 1	<u>-</u>
Fund Balance, March 31	<u><u>\$ 334</u></u>



September 5, 2008

Township Board
Laketown Township, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit of Laketown Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Laketown Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our Responsibilities

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

Definitions Related to Internal Control Deficiencies

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township.

Identified Deficiencies in Internal Control

We believe the following deficiencies constitute material weaknesses.

- 1. Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP)** - As is the case with many smaller and medium-sized governmental units, the Township relies on its independent external auditors to assist in the preparation of the annual financial statements and related footnote disclosures. While the Township generally understands all the information included in the annual financial statements, the Township's ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP) is based, in part, on its reliance on its external auditors, who by definition cannot be considered a part of the Township's internal controls. As a result the Township lacks internal controls over the preparation of annual financial statements in accordance with GAAP. We recommend no changes to this situation at this time as the Township has determined it is more cost effective to continue to outsource this task to its external auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.
- 2. Auditor Adjustments** - During the course of the March 31, 2008 audit various adjustments were proposed by the auditor to properly record amounts for accounts payable, accrued payroll, special assessments earned, taxes receivable, and miscellaneous other amounts.

This communication is intended solely for the information and use of management, the Board of Trustees, and others in the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Kiekover, Scholma & Shumaker, PC